

Message Text

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ACTION OPIC-06

INFO OCT-01 NEA-10 ISO-00 EB-07 AID-05 COME-00 TRSE-00

OMB-01 L-03 IGA-02 /035 W

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC PRIORITY 4023

UNCLAS NEW DELHI 2321

PASS OPIC FOR CREGG

E.O. 11652: N/A

SUBJECT: PIBCO - 386-E-179

REFERENCES: A. NEW DELHI 16062, DECEMBER 3, 1974

B. NEW DELHI 15418, NOVEMBER 15, 1974

C. NEW DELHI 14625, OCTOBER 30, 1974

D. NEW DELHI 3128, MARCH 6, 1975

E. OPIC MEMORANDUM OF CHICAGO MEETING - DECEMBER 18, 1975

F. STATE 36485, FEBRUARY 19, 1975

G. NEW DELHI 0029, JANUARY 2, 1975

SUMMARY: ON THURSDAY, FEBRUARY 12, A MEETING WAS HELD IN THE OFFICES OF USAID AND THE PARTICIPANTS WERE M/S BISSET, VARSHNEYA AND COLLAMER FROM USAID AND THE FOUR PUNJ BROTHERS FROM PIBCO. THE GENERAL TONE OF THE MEETING WAS ABOUT THE EXACT OPPOSITE OF THE MEETING COVERED BY REF E IN GENERAL, V.P. PUNJ STATED THAT PIBCO WAS OVERWHELMED WITH OPERATIONAL PROBLEMS AND LACK OF SUPPORT FROM JM. PRODUCTION FOR THE 12 MONTHS ENDED DECEMBER 31, 1975 ALLEGEDLY TOTALED APPROXIMATELY 650 METRIC TONS OR ABOUT 10 PERCENT OF INSTALLED CAPACITY. THE SITUATION HERE REMAINS TOTALLY UNSATISFACTORY AND SUBSTANTIALY UNCHANGED FROM THAT SET FORTH IN REFS A,B AND C AND THE MISSION RECOMMENDS THAT EITHER (1) OPEC PERSUADES JM TO SEND A RESPONSIBLE OFFICIAL FROM DENVER ALONGWITH GIROUARD TO MEET WITH USAID AND THE FOUR PUNJ BROTHERS SO THAT WE CAN MUTUALLY AGREE WHETHER OR NOT THERE IS ANY HOPE OF SALVAGING PIBCO, OR (2) THAT WE BE AUTHORIZED TO PROCEED WITH CALLING THE LOAN AS OUTLINED IN UNCLASSIFIED

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REFS D, F AND G. END SUMMARY.

1. V.P. PUNJ BEGAN THE MEETING BY STATING THAT ALTHOUGH PIBCO WAS IN A POSITION TO MANUFACTURE A LARGER QUANTITY OF MINERAL WOOL THAN THEY HAD IN THE PAST, THE QUALITY REMAINED SUBSTANDARD. IN ADDITION, HE REITERATED THOSE POINTS WHICH HE HAD MADE OVER THE LAST SEVERAL YEARS INCLUDING:

A. THE LACK OF SUPPORT RECEIVED FROM JM, EVEN THOUGH THIS IS POINT #4 OF THE 12 POINT RECOVERY PLAN, IN THE PRODUCTION OF MARINE INSULATION. IN FACT THE PUNJS TOOK THE POSITION THAT PIBCO'S FUTURE WAS CLOSELY LINKED WITH THEIR ABILITY TO PRODUCE MARINE INSULATION WITH OR WITHOUT JM'S ASSISTANCE. THEY BELIEVE THEY NEED MARINE INSULATION AS AN ENTREE TO DEFENSE SALES AND WITHOUT THIS ENTREE THE PUNJS DID NOT BELIEVE PIBCO COULD BECOME VIABLE.

B. THE FACT THAT ALTHOUGH PIBCO HAS AN INSTALLED BOILER CAPACITY OF DOUBLE THAT WHICH JM SPECIFIED, GIROUARD HAS ADVISED PIBCO THAT THEIR BOILER IS UNDER CAPACITY.

C. GIROUARD HAS ADVISED PIBCO THAT THEIR FAN CAPACITY IS HIGHLY IN-ADEQUATE EVEN THOUGH IT WAS INSTALLED ACCORDING TO JM SPECIFICATIONS.

D. THE HOT BLAST SYSTEM DOES NOT WORK PROPERLY.

E. IN GENERAL, A BELIEF BY THE PUNJS THAT SINCE JM HAS NOT RESPONDED TO MUCH OF PIBCO'S CORRESPONDENCE THAT JM IS NOT INTERESTED IN PIBCO AND THEIR PROBLEMS.

2. AT THIS POINT, WE INTERRUPTED V.P. PUNJ AND READ TO HIM THE FOLLOWING QUOTE FROM REF E.

"MORENO THEN WENT ON TO SAY THAT IT WOULD APPEAR FROM WHAT PUNJ HAD SAID THAT THERE WAS ABSOLUTELY NOTHING THAT JM COULD DO TO IMPROVE PIBCO PLANT OPERATIONS AND THAT THE PROBLEMS APPEAR TO BE SUCH THAT THEY COULD BE RESOLVED BY ONLY PIBCO IN INDIA. PUNJ RESPONDED THAT THIS WAS CORRECT..."

WE FURTHER STATED THAT THERE WERE TWO OTHER PLACES IN REF E WHERE V.P. PUNJ MADE SIMILAR STATEMENTS.

3. V.P. PUNJ RESPONDED BY SAYING THAT ALTHOUGH HE ATTENDED THE CHICAGO MEETING, HE WAS NOT PROPERLY PREPARED TO DO SO. HE STATED UNCLASSIFIED

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THAT HE DOES NOT OCCUPY A MANAGEMENT POSITION AT PIBCO AND DOES NOT HAVE DAY-TO-DAY CONTACT WITH THEIR PROBLEMS. HE FURTHER STATED THAT HE WAS NOT AWARE OF CONVEYING AN IMPRESSION AT THE CHICAGO MEETING, THAT PIBCO COULD RESOLVE THEIR PROBLEMS WITHOUT JM ASSISTANCE.

4. ASHOK PUNJ THEN SHOWED US A LETTER FROM THE GOI DATED FEBRUARY 9,

1976 AUTHORIZING IMPORT OF THE SPINNER WHICH IS STILL SITTING IN QUARTAR.

5. ALTHOUGH THE FINANCIAL STATEMENTS FOR PIBCO'S YEAR ENDING DECEMBER 31, 1975 HAVE NOT BEEN FINALIZED, S.N.P. PUNJ WAS ABLE TO ADVISE US THAT PRODUCTION AMOUNTED TO APPROXIMATELY 650 M/T OR ABOUT 10 PERCENT OF THEIR INSTALLED CAPACITY OF 6500 M/T PER YEAR. (IN FY 74 PIBCO PRODUCED 33 PERCENT OF INSTALLED CAPACITY.) IN OUR OPINION, USAID HAS ABSOLUTELY NO PROSPECTS OF BEING ABLE TO COLLECT ANY INTEREST OR PRINCIPAL IN THE NEAR FUTURE.

6. BISSET TERMINATED THE MEETING BY STATING THAT USAID WAS OPERATING IN THE ROLE OF A BANKER IN REGARD TO PIBCO'S LOAN. UNDER THE CIRCUMSTANCES, WHEREIN WE HAVE RECEIVED NO PAYMENTS OF PRINCIPAL OR INTEREST IN OVER SIX YEARS, WE WOULD EITHER HAVE TO HAVE THIS SITUATION CORRECTED IN THE NEAR FUTURE OR RESORT TO THOSE REMEDIES PROVIDED US IN THE LOAN AGREEMENTS. HE SUGGESTED THAT V.P. PUNJ GIVE US A WRITTEN SUMMARY OF THE VARIOUS OPERATIONAL AND PRODUCTION PROBLEMS BEING FACED BY PIBCO AND WHERE THEY BELIEVE THAT THEY HAVE NOT RECEIVED PROPER SUPPORT FROM JM. V.P. PUNJ ADVISED THAT HE WOULD DELIVER THIS TO US ON TUESDAY, FEBRUARY 17 WITH A COPY TO JM. AS SOON AS THIS IS RECEIVED WE WILL POUCH A COPY. FINALLY, BISSET SAID THAT WHEN IN WASHINGTON IN JANUARY HE HAD MET WITH OPIC OFFICIALS AND WAS LED TO BELIEVE THAT THE PIBCO PROBLEM WOULD SOON BE RESOLVED, HOWEVER, THIS WAS OBVIOUSLY NOT THE CASE.

7. THIS LEAVES US IN EXACTLY THE SAME POSITION WE WERE IN 14 MONTHS AGO. AT THAT TIME, THE MISSION STRONGLY URGED THAT JM SEND A RESPONSIBLE OFFICIAL FROM DENVER AND GIROUARD TO DELHI (REF C). WE WOULD THEN ARRANGE FOR A MEETING INVOLVING THE JM OFFICIALS, THE FOUR PUNJ BROTHERS, AND A REPRESENTATIVE FROM USAID. AT SUCH A MEETING WE COULD RESOLVE ONCE AND FOR ALL WHAT PROBLEMS EXIST AND WHO WOULD BE WILLING OR NOT WILLING TO

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PROVIDE THE REQUIRED FINANCES AND TECHNICAL ASSISTANCE TO RESOLVE THOSE PROBLEMS. IF AT THE CONCLUSION OF THIS MEETING JM AND PIBCO COULD AGREE ON THE IMPLEMENTATION OF NECESSARY STEPS TO CORRECT THE PROBLEMS, THE MISSION WOULD BE IN A POSITION TO SUPPORT THIS CONCLUSION. HOWEVER, IF THE RESULT OF THE MEETING WOULD BE THAT JM AND PIBCO COULD NOT AGREE UPON APPROPRIATE STEPS TO CORRECT THESE PROBLEMS, THEN WE WOULD HAVE NO OPTION BUT TO REQUEST OPIC'S AUTHORIZATION TO CALL THE LOAN.

ACTION REQUESTED: EITHER (1) JM CONSENTS TO SENDING A RESPONSIBLE OFFICIAL ALONG WITH GIROUARD TO DELHI FOR A MEETING WITH THE PUNJ BROTHERS, AS OUTLINED ABOVE, OR (2) WE SHOULD PROCEED ALONG THE LINES COVERED IN REF D, F AND G IN ANTICIPATION OF CALLING THE LOAN. PLEASE ADVISE. SAXBE

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